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C O N F I D E N T I A L SECTION 02 OF 02 BAGHDAD 001897

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SUBJECT: DELIVERING A CLEAR MESSAGE ON IRAQ'S BUSINESS
CLIMATE TO PM MALIKI

* Missing Section 001 *

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highlight to potential investors. (Note: The amendment had its first of three required readings in Parliament on July 9. End Note) Maliki should be encouraged not only to make passage of the bill a priority, but also to ensure that the National and Provincial Investment Commissions have his personal support and are empowered to implement these and other provisions of the Investment Law and overcome the opposition of the ministries that currently own most Iraqi land.

Message Three: Ratify the Bilateral Agreements

¶4. (C) U.S. investors have less of a history in Iraq than those of other countries. Both countries need to work together on measures that will address investors' concerns. While GOI moves to improve the investment climate are most important, there are other measures that can be taken in the short term. Ratification of the OPIC Investor Incentive Agreement is a potential quick win. Signed in 2005, the agreement required parliamentary ratification in Iraq, but the GOI has ignored the agreement, seeing it as too difficult to pass given sensitivities over bilateral security agreements. Our message to Maliki should be that this is a non-controversial agreement and that a small investment of political capital in advance of the October investment conference would give the GOI delegation a concrete new achievement to entice U.S. investors. Maliki should also be encouraged to bring to ratification the other two bilateral agreements pending from 2005: the Trade and Investment Framework Agreement (TIFA) that would be the first step towards a future Bilateral Investment Treaty, and the critical Bilateral Assistance Agreement (BAA). The BAA is necessary to ensure continued delivery of USG assistance to Iraq. This assistance directly supports development of the business climate (for instance, the National Investment Commission receives significant technical assistance) and underpins many of our common goals in the Strategic Framework Agreement. Should the USG need to reduce or phase out bilateral assistance because the BAA is not enacted, among the many negative impacts would be the signal this sends to potential investors already nervous about GOI commitments.

Message Four: Stay on Course for WTO

¶5. (C) Investors are looking for signs that the GOI is committed to meeting international standards. Membership in

the World Trade Organization (WTO) would provide such assurances, in addition to the benefits it would offer Iraq in supporting trade and international integration. Although Maliki and other cabinet officials have expressed support for Iraq's joining the WTO, the accession process has stalled and is unlikely to get back on track without a direct intervention from the PM. The USG has provided extensive technical assistance to help the GOI meet legislative drafting requirements and compile its Initial Goods and Services Offers. However, a lack of leadership and in some cases opposition to some WTO requirements from certain ministries have prevented timely submissions of information to Geneva and could delay Iraq's Third Working Party for another year or more (Reftels B,C). Until Al-Maliki and those government ministers who support WTO accession elevate their level of hands-on involvement in the process, it will not move forward. Discussions with the PM's staff in Baghdad Qnot move forward. Discussions with the PM's staff in Baghdad lead us to believe that Maliki is open to making a public (or at least private) expression of support for WTO membership. We should take advantage of that opportunity to press him to turn his rhetoric into direct leadership.

HILL